

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

---

September 7, 2016

Tom Betlach, Director  
Arizona Health Care Cost Containment System  
801 East Jefferson Street  
Phoenix, AZ 85034

Dear Mr. Betlach:

We have reviewed the proposed State Plan Amendment (SPA) 16-001, which was submitted to the Centers for Medicare & Medicaid Services (CMS) San Francisco Regional Office on March 31, 2016. This SPA modifies the methodology for determining hospice rates.

Based on the information provided, we are approving SPA 16-001 with an effective date of January 1, 2016 as requested. We are enclosing the approved Form CMS-179 and the following Medicaid State Plan pages:

- Attachment 4.19-B, Pages 1-2

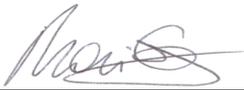
If you have any additional questions or need further assistance, please contact Brian Zolynas at (415) 744-3601 or [Brian.Zolynas@cms.hhs.gov](mailto:Brian.Zolynas@cms.hhs.gov).

Sincerely,

/s/

Henrietta Sam-Louie  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

cc: Jessica Woodard

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: Centers for Medicare and Medicaid Services</b>		1. TRANSMITTAL NUMBER: 16-001	2. STATE Arizona
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE January 1, 2016	
5. TYPE OF PLAN MATERIAL ( <i>Check One</i> ):  <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT ( <i>Separate Transmittal for each amendment</i> )			
6. FEDERAL STATUTE/REGULATION CITATION:  1902(a)(30)(A)		7. FEDERAL BUDGET IMPACT:  FFY 16: \$71,300	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Att. 4.19-B, pages 1 and 2		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):  Same	
10. SUBJECT OF AMENDMENT:  Updates the State Plan to revise Hospice Rates			
11. GOVERNOR'S REVIEW ( <i>Check One</i> ): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL:  		16. RETURN TO:  Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Monica Coury			
14. TITLE: Assistant Director			
15. DATE SUBMITTED: March 31, 2016			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: March 31, 2016		18. DATE APPROVED: 9/7/16	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: January 1, 2016		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Henrietta Sam-Louie		22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health Operations	
23. REMARKS: Pen-and-ink change to add page 1 to Box 8			

State: ARIZONA  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
OTHER TYPES OF CARE

The following is a description of methods and standards for determining payment rates for specific services when payments are made directly to providers. Fee-for-services payments are made in accordance with the Arizona Health Care Cost Containment System Fee-For-Service Provider Manual and are subject to the limitations set forth in Attachment 3.1-A of the State Plan. State developed fee schedule rates are the same for both governmental and non-governmental providers, unless otherwise noted on the reimbursement pages. AHCCCS rates were set as of October 1, 2015, and are effective for dates of service on or after that date. AHCCCS rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/> and apply to the following services: Outpatient Hospital; Laboratory; Pharmacy; Hospice; Clinic Services, including Freestanding Ambulatory Surgery Centers and Freestanding Dialysis Centers; Migrant Health Center, Community Health Center and Homeless Health Center Services, Home Health Services, including Durable Medical Equipment, Supplies and Prosthetic Devices; Diagnostic, Screening and Preventive Services; EPSDT Services; Freestanding Birth Centers; Behavioral Health; Family Planning; Physician; Nurse-Midwife; Pediatric and Family Nurse Practitioner; Other Licensed Practitioner; Dental; Vision; Respiratory Care; Transportation; Private Duty Nurse; Other Practitioners; Physical Therapy; Occupational Therapy; Services for individuals with speech, hearing and language disorders; Prosthetic devices; Screening; Preventative; Rehabilitation.

• **Outpatient Hospital Services**

From July 1, 2004 through June 30, 2005, AHCCCS shall reimburse a hospital by applying a hospital-specific outpatient cost-to-charge ratio to covered charges. If the hospital increases its charges for outpatient services filed with the Arizona Department of Health Services by more than 4.7 per cent for dates of service effective on or after July 7, 2004, the hospital-specific cost-to-charge ratio will be reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7 per cent, the effective date of the increased charges will be the effective date of the adjusted AHCCCS cost-to-charge ratio.

For dates of service beginning July 1, 2005, AHCCCS shall reimburse hospitals for outpatient acute care hospital services from a prospective fee schedule, by procedure code, established by AHCCCS. Hospitals with similar characteristics (peer groups) such as: rural/CAH designation, bed size, pediatric emphasis, special needs hospitals, public ownership, GME programs or Level I Trauma Centers, may be paid percentage adjustments above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits. Rural hospitals, defined as hospitals in Arizona, but outside Maricopa and Pima counties, may be paid an adjustment above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits.

Services that do not have an established fee specified by the AHCCCS' outpatient hospital prospective fee schedule will be paid by multiplying the charges for the service by a statewide outpatient cost-to-charge ratio. For dates of service July 1, 2005 through September 30, 2011, the statewide outpatient cost-to-charge ratio is computed from hospitals' 2002 Medicare Cost Reports.

For dates of service beginning October 1, 2011, the statewide cost-to-charge ratio calculation shall equal either the CMS Medicare Outpatient Urban or the CMS Medicare Outpatient Rural Cost to Charge Ratio for Arizona. The urban cost-to-charge ratio will be used for hospitals located in a county of 500,000 residents or more and for out-of-state hospitals. The rural cost-to-charge ratio will be used for hospitals located in a county of fewer than 500,000 residents.

Hospitals shall not be reimbursed for emergency room treatment, observation hours, or other outpatient hospital services performed on an outpatient basis, if the eligible person is admitted as an inpatient to the same hospital directly from the emergency room, observation or other outpatient department. The emergency room, observation, and other outpatient hospital services provided before the admission are included in the inpatient reimbursement.

Outpatient hospital payments shall be subject to the quick pay discounts and the slow pay penalties described in Attachment 4.19-A.

Rebase

AHCCCS will rebase the outpatient hospital fee schedule every five years.

TN No. 16-001

Supersedes

TN No. 14-013B

Approval Date: September 7, 2016

Effective Date: January 1, 2016

State: ARIZONA  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
OTHER TYPES OF CARE

---

Out-of-State Hospitals

Out-of-state hospitals will be paid for covered outpatient services by applying the outpatient hospital fee schedule and methodology.

Specialty Rates

• **Laboratory Services**

AHCCCS' outpatient hospital fee schedule will not exceed the reimbursement amounts authorized for clinical laboratory services under Medicare as set forth in 42 CFR 447.362. AHCCCS' rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>

• **Pharmacy Services**

Reimbursement is subject to the limitations set forth in 42 CFR 447.331 through 447.332.

AHCCCS reimburses Federally Qualified Health Centers (FQHCs) and FQHC Look-Alikes for any drugs subject to 340B pricing that are purchased and dispensed by those 340B entities at the lesser of billed charges or the 340B ceiling price. In addition, AHCCCS will pay a dispensing fee of \$8.75 effective 2/1/2012 as listed in the capped fee schedule posted on the AHCCCS website.

• **EPSDT Services Not Otherwise Covered in the State Plan**

AHCCCS reimburses for chiropractor services and personal care services using a capped fee schedule. Personal care services are described in Attachment 3.1-A Limitations, page 2(a). Payment is the lesser of the provider's charge for the service or the capped fee amount established by AHCCCS. AHCCCS' rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>

• **Hospice**

AHCCCS reimburses for the hospice benefit, including routine home care, continuous home care, inpatient respite care and general inpatient care and Service Intensity Add-on at the AHCCCS Fee Schedule rates published on the agency's website described on page 1, first paragraph of Attachment 4.19B. Effective January 1, 2016:

- Routine Home Care (RHC) will be reimbursed at one of two rates depending on the number of days in the episode of care, such that a higher rate will apply to the first 60 days of RHC and a lower rate will apply to days sixty-one and beyond. A gap of sixty days or more in hospice care will begin a new episode of care.
- A Service Intensity Add-On (SIA) add-on payment will be made for a visit by a social worker or registered nurse when provided during RHC in the last seven days of a member's life for up to 4 hours per day of service. The SIA will be an hourly rate equal to the hourly rate for continuous home care.

The hospice rates are developed based on the Medicaid Hospice Payment Rates and Hospice Wage Indices, published annually by CMS. Rates are reduced for hospices that fail to meet the Medicare quality reporting requirements.